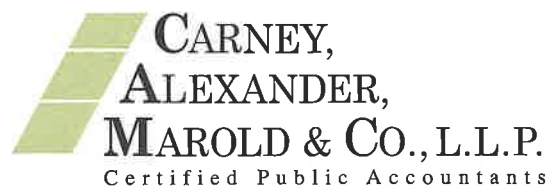

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021



IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

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Independent Auditors' Report

To the Board of Directors
Iowa Heartland Habitat for Humanity
Waterloo, Iowa

Opinion

We have audited the accompanying financial statements of Iowa Heartland Habitat for Humanity (a nonprofit organization) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Heartland Habitat for Humanity as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Iowa Heartland Habitat for Humanity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Heartland Habitat for Humanity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Iowa Heartland Habitat for Humanity's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa Heartland Habitat for Humanity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

Cannoy, Alexander, Manold + Co, LLP.

Waterloo, Iowa
November 29, 2022

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Statements of Financial Position
As of June 30, 2022 and 2021

	- ASSETS -			- LIABILITIES AND NET ASSETS -	
	2022	2021		2022	2021
Current Assets:			Current Liabilities:		
Cash and cash equivalents - unrestricted	\$ 1,373,426	\$ 1,534,980	Accounts payable	\$ 231,033	\$ 279,094
Grants and accounts receivable	199,340	123,412	Accrued expenses	18,492	18,067
Pledges receivable	61,026	57,498	Escrow and HOA deposit liability	(4,091)	(8,416)
Work in process	1,489,492	1,367,247	Current portion of long-term notes and mortgages	<u>75,935</u>	<u>64,158</u>
Inventory	86,315	86,557			
Current portion of real estate contracts receivable	245,379	242,530	Total Current Liabilities	<u>321,369</u>	<u>352,903</u>
Prepaid expenses	<u>32,801</u>	<u>22,898</u>			
Total Current Assets	<u>3,487,779</u>	<u>3,435,122</u>	Long-term Liabilities:		
Non-Current Assets:			Notes and mortgages payable less current portion	<u>972,687</u>	<u>1,237,755</u>
Non-interest bearing real estate contracts receivable	5,579,935	5,451,092			
Less discount on non-interest bearing contracts	<u>(1,857,016)</u>	<u>(1,646,865)</u>	Total Long-term Liabilities	<u>972,687</u>	<u>1,237,755</u>
	3,722,919	3,804,227			
Less current portion above	<u>(245,379)</u>	<u>(242,530)</u>	Net Assets:		
	3,477,540	3,561,697	Without donor restrictions	7,312,921	6,958,730
Reserve deposits on IFA loans	1,743	1,743	With donor restrictions	<u>736,826</u>	<u>613,001</u>
Beneficial interest in assets held by Community Foundation	573,394	595,677	Total Net Assets	<u>8,049,747</u>	<u>7,571,731</u>
Pledges receivable, over one year	<u>66,286</u>	<u>106,461</u>			
Total Non-Current Assets	<u>4,118,963</u>	<u>4,265,578</u>			
Fixed Assets:					
Furnishings and equipment	377,555	258,197			
Construction equipment	121,839	118,213			
Vehicles	80,759	85,925			
Buildings	1,695,532	1,427,743			
Less accumulated depreciation	<u>(538,624)</u>	<u>(428,389)</u>			
Net Fixed Assets	<u>1,737,061</u>	<u>1,461,689</u>			
Total Assets	<u>\$ 9,343,803</u>	<u>\$ 9,162,389</u>	Total Liabilities and Net Assets	<u>\$ 9,343,803</u>	<u>\$ 9,162,389</u>

The accompanying notes are an integral part of this statement.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Statements of Activities
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support:						
Grants and gifts:						
Churches	\$ 74,949	\$ -	\$ 74,949	\$ 25,687	\$ -	\$ 25,687
Individuals	162,217	6,000	168,217	195,531	1,000	196,531
Bequests	36,258	-	36,258	-	-	-
Corporations	92,907	-	92,907	50,040	-	50,040
Grants	1,374,469	607,976	1,982,445	1,007,437	488,901	1,496,338
In kind contributions	1,061,837	-	1,061,837	916,942	-	916,942
Total Grants and Gifts	2,802,637	613,976	3,416,613	2,195,637	489,901	2,685,538
ReStore sales	855,730	-	855,730	799,533	-	799,533
Fundraising	143,251	-	143,251	144,131	-	144,131
Sales of homes	1,753,431	-	1,753,431	985,520	-	985,520
Neighborhood Services	93,916	-	93,916	87,413	-	87,413
Real estate contract discount amortization	343,432	-	343,432	417,380	-	417,380
Investment income	20,096	-	20,096	7,734	-	7,734
Realized/unrealized gain(loss) on investments	(31,976)	-	(31,976)	110,602	-	110,602
Gain/(Loss) on asset disposal	2,886	-	2,886	600	-	600
Other income	83,936	-	83,936	1,298	-	1,298
	<u>6,067,339</u>	<u>613,976</u>	<u>6,681,315</u>	<u>4,749,848</u>	<u>489,901</u>	<u>5,239,749</u>
Net assets released from restrictions	490,151	(490,151)	-	7,250	(7,250)	-
	<u>6,557,490</u>	<u>123,825</u>	<u>6,681,315</u>	<u>4,757,098</u>	<u>482,651</u>	<u>5,239,749</u>
Expenses:						
Program services:						
Construction costs and family selection and nurture	3,773,771	-	3,773,771	2,166,864	-	2,166,864
ReStore	1,351,355	-	1,351,355	1,267,266	-	1,267,266
Neighborhood Services	666,243	-	666,243	178,908	-	178,908
Supporting services:						
Management and general	332,529	-	332,529	243,614	-	243,614
Fundraising and public relations	261,650	-	261,650	179,176	-	179,176
	<u>6,385,548</u>	<u>-</u>	<u>6,385,548</u>	<u>4,035,828</u>	<u>-</u>	<u>4,035,828</u>
Change in Net Assets from Operations	171,942	123,825	295,767	721,270	482,651	1,203,921
Other Changes:						
Cancellation of debt	182,249	-	182,249	180,700	-	180,700
Total Other Changes	182,249	-	182,249	180,700	-	180,700
Change in Net Assets	354,191	123,825	478,016	901,970	482,651	1,384,621
Net Assets at Beginning of Year	6,958,730	613,001	7,571,731	6,056,760	130,350	6,187,110
Net Assets at End of Year	<u>\$ 7,312,921</u>	<u>\$ 736,826</u>	<u>\$ 8,049,747</u>	<u>\$ 6,958,730</u>	<u>\$ 613,001</u>	<u>\$ 7,571,731</u>

The accompanying notes are an integral part of this statement.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Statements of Functional Expenses
For the Year Ended June 30, 2022

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Construction & Family Selection	ReStore	Neighborhood Services		Management and General	Fundraising		
Building materials and supplies	\$ 2,394,113	\$ -	\$ 483,507	\$ 2,877,620	\$ -	\$ -	\$ -	\$ 2,877,620
Real estate contract discount	553,583	-	-	553,583	-	-	-	553,583
Cost of goods sold - ReStore	-	859,190	-	859,190	-	-	-	859,190
Salary	577,025	251,220	159,039	987,284	69,820	117,940	187,760	1,175,044
Payroll taxes	49,042	22,759	13,613	85,414	6,012	9,855	15,867	101,281
Retirement	30,239	9,954	6,681	46,874	2,616	3,195	5,811	52,685
Benefits	66,313	36,048	19,300	121,661	6,655	10,808	17,463	139,124
Insurance	53,205	29,330	-	82,535	20,634	-	20,634	103,169
Depreciation	57,144	39,931	10,620	107,695	20,743	-	20,743	128,438
Amortization	-	-	-	-	33	-	33	33
Utilities	-	9,572	334	9,906	14,916	-	14,916	24,822
Printing	-	1,204	-	1,204	6,010	-	6,010	7,214
Postage	1,472	58	-	1,530	1,472	-	1,472	3,002
Office supplies	9,538	7,297	206	17,041	4,260	-	4,260	21,301
Staff expense	-	3,437	1,997	5,434	43,257	-	43,257	48,691
Volunteer expense	6,798	2,062	18,814	27,674	-	-	-	27,674
Family selection expense	11,554	-	-	11,554	-	-	-	11,554
Computer and software	-	3,077	-	3,077	42,570	-	42,570	45,647
Small equipment	47,055	877	1,220	49,152	-	-	-	49,152
Vehicle costs	34,324	11,994	7,367	53,685	-	-	-	53,685
Tithe to Habitat International	71,500	-	-	71,500	-	-	-	71,500
Construction expense	13,688	-	1,596	15,284	-	-	-	15,284
Legal and accounting	9,102	2,420	6,620	18,142	4,536	-	4,536	22,678
Bank charges	-	15,298	1	15,299	8,092	-	8,092	23,391
Event expense	-	-	-	-	-	108,089	108,089	108,089
Grant expense	21,955	-	-	21,955	-	-	-	21,955
Advertising	-	5,871	101	5,972	-	11,763	11,763	17,735
Rent expense	-	161	90	251	3,067	-	3,067	3,318
Interest expense	425	23,222	-	23,647	17,764	-	17,764	41,411
Repairs & maintenance	-	16,373	-	16,373	21,275	-	21,275	37,648
Real estate holding expense	21,701	-	471	22,172	-	-	-	22,172
Miscellaneous expense	-	-	26	26	38,797	-	38,797	38,823
Less overhead charged to construction	(256,005)	-	(65,360)	(321,365)	-	-	-	(321,365)
	\$ 3,773,771	\$ 1,351,355	\$ 666,243	\$ 5,791,369	\$ 332,529	\$ 261,650	\$ 594,179	\$ 6,385,548

The accompanying notes are an integral part of this statement.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Statements of Functional Expenses
For the Year Ended June 30, 2021

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Construction & Family Selection	ReStore	Neighborhood Services		Management and General	Fundraising		
Building materials and supplies	\$ 1,306,967	\$ -	\$ 51,456	\$ 1,358,423	\$ -	\$ -	\$ -	\$ 1,358,423
Real estate contract discount	298,848	-	-	298,848	-	-	-	298,848
Cost of goods sold - ReStore	-	799,916	-	799,916	-	-	-	799,916
Salary	401,965	239,068	112,105	753,138	68,298	89,019	157,317	910,455
Payroll taxes	34,166	19,924	9,573	63,663	5,740	7,596	13,336	76,999
Retirement	15,656	9,309	4,330	29,295	2,533	3,781	6,314	35,609
Benefits	45,185	33,657	13,030	91,872	6,587	10,126	16,713	108,585
Insurance	24,916	22,807	-	47,723	11,931	-	11,931	59,654
Depreciation	33,666	38,151	3,481	75,298	10,771	-	10,771	86,069
Utilities	-	7,774	209	7,983	7,250	-	7,250	15,233
Printing	-	1,923	28	1,951	6,201	-	6,201	8,152
Postage	1,222	41	-	1,263	1,221	-	1,221	2,484
Office supplies	3,836	6,794	172	10,802	2,701	-	2,701	13,503
Staff expense	-	1,147	934	2,081	8,046	-	8,046	10,127
Volunteer expense	11,164	1,603	489	13,256	-	-	-	13,256
Family selection expense	449	-	-	449	-	-	-	449
Computer and software	-	1,343	-	1,343	72,096	-	72,096	73,439
Small equipment	9,422	797	914	11,133	-	-	-	11,133
Vehicle costs	10,900	7,868	3,650	22,418	-	-	-	22,418
Tithe to Habitat International	50,840	-	-	50,840	-	-	-	50,840
Construction expense	6,121	-	417	6,538	-	-	-	6,538
Legal and accounting	14,425	1,760	-	16,185	4,046	-	4,046	20,231
Bank charges	-	16,007	38	16,045	6,202	-	6,202	22,247
Event expense	-	-	-	-	-	61,413	61,413	61,413
Grant expense	19,349	-	-	19,349	-	-	-	19,349
Advertising	-	6,131	503	6,634	-	7,241	7,241	13,875
Rent expense	-	2,580	-	2,580	165	-	165	2,745
Interest expense	425	29,346	-	29,771	17,071	-	17,071	46,842
Repairs & maintenance	-	19,320	-	19,320	12,755	-	12,755	32,075
Real estate holding expense	32,577	-	545	33,122	-	-	-	33,122
Less overhead charged to construction	(155,235)	-	(22,966)	(178,201)	-	-	-	(178,201)
	<u>\$ 2,166,864</u>	<u>\$ 1,267,266</u>	<u>\$ 178,908</u>	<u>\$ 3,613,038</u>	<u>\$ 243,614</u>	<u>\$ 179,176</u>	<u>\$ 422,790</u>	<u>\$ 4,035,828</u>

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 478,016	\$ 1,384,621
Adjustments to reconcile change in net assets to net cash used by operations:		
Origination of non-interest bearing mortgages	(1,195,288)	(788,321)
Real estate contract discount	553,583	298,848
Current year amortization of discount on contracts	(343,432)	(417,380)
Depreciation of buildings and equipment	128,438	86,069
Amortization of intangible assets	33	-
Realized/unrealized (gain)/loss on investments	31,976	(110,602)
Cancellation of debt	(182,249)	(180,700)
Change in grants and accounts receivable	(75,928)	(29,059)
Change in pledges receivable	36,647	16,970
Change in work in process	(122,245)	(478,931)
Change in inventory	242	(2,970)
Change in prepaid expenses	(9,903)	(6,552)
Change in accounts payable	(48,061)	142,055
Change in accrued expenses	425	12,885
Change in escrow deposit liability	4,325	(6,815)
Net Cash Used by Operating Activities	<u>(743,421)</u>	<u>(79,882)</u>
Cash Flows From Investing Activities:		
Payments received on real estate contracts	1,066,445	1,006,413
Purchases of land, buildings, and equipment	(403,810)	(213,502)
Increase in assets held at Community Foundation	(9,693)	(110,867)
Net Cash Provided by Investing Activities	<u>652,942</u>	<u>682,044</u>
Cash Flows From Financing Activities:		
New borrowings	182,249	180,700
Payments reducing long-term notes	(253,324)	(63,886)
Net Cash (Used)/Provided by Financing Activities	<u>(71,075)</u>	<u>116,814</u>
Change in Cash and Cash Equivalents	(161,554)	718,976
Beginning Cash and Cash Equivalents	<u>1,534,980</u>	<u>816,004</u>
Ending Cash and Cash Equivalents	<u>\$ 1,373,426</u>	<u>\$ 1,534,980</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 41,471	\$ 47,291

The accompanying notes are an integral part of this statement.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies:

Nature of Activities

Iowa Heartland Habitat for Humanity (Habitat) is a charitable organization incorporated in the State of Iowa, and is an affiliate of Habitat for Humanity International (Habitat International) located in Americus, Georgia. Habitat's purpose is to provide to low income individuals an opportunity for ownership of simple, decent housing in a safe neighborhood in Black Hawk, Bremer, Buchanan, and Butler Counties. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

Basis of Presentation

The financial statements, which include the assets, liabilities, net assets and financial activities of Habitat, have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not for profit organizations. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Home Construction

Habitat builds homes and carries the cost of purchased materials as work in process inventory until completion of the home project. The estimated fair market value of contributed land and material is also carried as work in process and recognized as contributed support and revenue when received. Upon completion of the home project, work in process is then charged to program expense. Construction labor is provided by Habitat volunteers, by future home buyers and by paid construction staff. No value is recognized in the accounts for labor contributed by Habitat volunteers.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: (continued)

ReStore Operations

Habitat operates ReStore, a retail business that accepts donations of new and used building materials, furniture, appliances and housewares and resells them to the general public through a retail store front warehouse. The ReStore provides the community with a low-cost outlet for home improvement materials making home renovations and improvements more affordable.

Neighborhood Services

Habitat partners with low to moderate income homeowners to perform critical repairs and modifications on their homes. Habitat carries the cost of purchased materials as work in process inventory until completion of the home project. Upon completion of the home repairs or modifications, work in process is then charged to program expense. Construction labor is provided by Habitat volunteers and by paid construction staff. No value is recognized in the accounts for labor contributed by Habitat volunteers.

Real Estate Contracts Receivable

Upon completion of homes, Habitat enters into contracts of sale with home buyers. Contracts provide for the payment of costs of construction (including contributed land and materials, if any) over periods of 15 to 30 years. These contracts bear no interest, and contain clauses restricting speculation and the earning of windfall profits by home buyers.

Sales of homes are recorded at the gross amount of payments to be received over the lives of the contracts. Non-interest bearing contracts are discounted at 3.60 - 7%. Discounts are amortized using the effective interest method over the lives of the contracts. Monthly payments are remitted to Farmers State Bank, who then makes deposits twice monthly to Habitat for collections on accounts. These contracts receivable are recorded on the statement of financial position as non-current assets except for the principal portion due within one year. In addition, home buyers make escrow payments to Farmers State Bank for insurance and property taxes. Homeowners in the Heartland Hills area are also required to pay Habitat homeowners association dues. Amounts are classified as HOA deposits.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, Habitat considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The FASB standard for Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for assets, either directly or indirectly. Level 3 uses significant unobservable inputs. Level 3 has the lowest priority. Habitat uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When applicable, Habitat measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs would only be used when Level 1 inputs are not available.

Buildings, Equipment, and Depreciation

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis, as follows:

Buildings	10 - 39 years
Furnishings and equipment	5 - 7 years
Vehicles	5 years
Construction equipment	5 years

Depreciation expense for the years ended June 30, 2022 and 2021 was \$128,438 and \$86,069, respectively.

Contributed Goods and Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and would otherwise be purchased by the organization. However, a substantial number of volunteers have donated significant amounts of their time to the organization's program and other services. Contributed goods are valued at fair market value at the date of the contribution. These goods are then included in the value of the respective homes when sold. Donated services of \$11,412 and \$828 for year ended June 30, 2022 and 2021, respectively, are recorded as contributions at their fair values at the date of donation.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: (continued)

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Advertising

Advertising costs for promotion purposes are expensed when incurred. Advertising costs charged against operations was \$17,735 and \$13,875 for June 30, 2022 and 2021, respectively.

Income Taxes

Habitat is a nonprofit organization exempt from paying income taxes under Internal Revenue Code Section 501(c)(3), and is not classified as a private foundation.

Habitat has adopted the accounting standards regarding uncertain tax positions which requires evaluation of the impact of uncertain tax positions taken or expected to be taken on a tax return. In some instances, the organization may be required to recognize a liability related to those tax positions. In evaluating Habitat's tax provisions and accruals, interpretations and tax planning strategies are considered. At June 30, 2022 and 2021, Habitat had no uncertain tax positions requiring recognition in the financial statements. Habitat's income tax filings prior to 2018 are no longer subject to audit by the federal and state taxing authorities. Interest and penalties incurred, if any, when filing income tax returns are recognized in the Statements of Functional Expenses.

Related Entities

Habitat contributed \$71,500 and \$50,840 to Habitat International for the years ended June 30, 2022 and 2021, respectively. Such amounts are classified as program services expense because such funds are expended by Habitat International for low-income housing under terms of the contribution.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies: (continued)

Inventory

Inventory consists of building materials used in the construction of homes and donated items to be sold in the ReStore. Purchased inventory is valued at cost. Donated inventory is valued at its estimated fair value based on its expected selling price.

Allowance for Doubtful Accounts

Real estate contracts receivable consists of amounts due from homeowners for home purchases. No allowance for doubtful accounts has been established because management feels the receivables are fully secured by a mortgage on the property.

Functional Allocation of Expenses

The costs of providing program services, supporting management and general expenses, and fundraising have been summarized in the statement of functional expenses. Certain costs have been allocated among program and supporting services in relation to the manner and purpose for which they were incurred. Joint costs for fundraising expenses have been allocated for cost of goods sold, salary, payroll taxes, employee benefits, and advertising.

Note 2: Real Estate Contracts Receivable

Real estate contracts arising from sales of homes to low-income families provide for monthly payments of principal (aggregate \$245,379 expected to be received during the year ended June 30, 2022) plus amounts for discounted interest and homeowners association dues (if applicable). At June 30, 2022, there were ten homeowners that were behind on their payments with a total principal balance of \$615,056. At June 30, 2021, there were ten homeowners that were behind on their payments with a total principal balance of \$411,183.

Real estate contracts receivable are non-interest bearing and for financial statement purposes, they are discounted at a 3.60 - 7% rate of interest. The discount is then realized over the respective lives of the loans. The fair value of the asset is measured on a recurring basis using significant unobservable inputs (Level 3 inputs).

Real estate contracts arising since 1999 have included a second promissory note that recaptures the difference between the amount of the total price of the house expected to be repaid by the homebuyer through the first/primary mortgage and the house's value based on the market appraisal. The term of the second promissory note is determined on a case by case basis based on the unique factors of each home purchase. The rationale of the second mortgage is to protect donors' and volunteers' charitable gift of funds and labor, protect the homeowner from predatory or sub-prime lenders, to help preserve the availability of affordable housing in the community, allow Habitat to recapture the full value of the home, and to allow Habitat to share in the equity of the home. Since the probability of the home buyer selling the home in the future cannot be determined, no accrual of the notes has been reflected in the financial statements.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Notes to Financial Statements

Note 2: Real Estate Contracts Receivable: (continued)

In the current year, additional funding was received on some home sales. Down payment assistance and additional subsidy programs were used to reduce the amount of the primary mortgage to the new homeowner. These programs required additional deed restrictions or mortgages to be placed on the home and these take priority over the second mortgage issued by Habitat.

Habitat retains the first right of refusal to repurchase the Habitat home if a home buyer wishes to sell their home during the term of the second promissory note.

	2022		2021	
	Cost	Fair Value (level 3 inputs)	Cost	Fair Value (level 3 inputs)
Balance at beginning of year	\$ 3,804,227	\$ 3,804,227	\$ 3,903,787	\$ 3,903,787
New contracts receivable	1,195,288	1,195,288	788,321	788,321
Discount on new contracts	(553,583)	(553,583)	(298,848)	(298,848)
Collections	(468,507)	(468,507)	(406,144)	(406,144)
Contracts receivable sold	(597,938)	(597,938)	(600,269)	(600,269)
Imputed interest	343,432	343,432	417,380	417,380
Balance at end of year	\$ 3,722,919	\$ 3,722,919	\$ 3,804,227	\$ 3,804,227

Habitat was party to an arrangement with Community Bank & Trust and Veridian Credit Union in which it sold, with recourse, seven non-interest bearing mortgage notes receivable for \$597,938 as of June 30, 2022 and eight non-interest bearing mortgage notes receivable for \$600,269 as of June 30, 2021. Habitat services these mortgages by collecting the monthly payments through Farmers State Bank, and remitting the principal portion of these payments to MidWestOne Bank or Community Bank & Trust. If a mortgage were to be delinquent by more than ninety days, Habitat shall use its best efforts to replace the nonperforming loan with a substitute loan. As of June 30, 2022 and 2021, the balance of the unrecorded recourse obligation is \$1,915,656 and \$1,595,834, respectively.

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Notes to Financial Statements

Note 3: Pledges Receivable

The Builders Circle is a multi-year leadership giving society for individuals who invest a minimum of \$1,000 or more for a minimum of 5 years. The Nonbuilders Circle was created for individuals who invest less than \$1,000 a year or less than 5 years. The Builders Circle and Nonbuilders Circle were created to recognize the important role donors play in continuing the mission of providing homes, communities and hope for families into the future. The promises to give as of June 30, 2022 are unrestricted, unconditional and due over the next five years. Promises to give to be received after June 30, 2022 are discounted at 0.38%. The unamortized discount on promises to give is \$890 and \$508 as of June 30, 2022 and 2021, respectively.

Unconditional promises to give are expected to be realized in the following periods:

	2022	2021
In one year or less	\$ 61,026	\$ 57,498
Between one year and five years	<u>67,176</u>	<u>106,969</u>
	128,202	164,467
Less: discounts to present value	<u>(890)</u>	<u>(508)</u>
	<u>\$ 127,312</u>	<u>\$ 163,959</u>
Reported under current assets	\$ 61,026	\$ 57,498
Reported under other assets	<u>66,286</u>	<u>106,461</u>
Total assets	<u>\$ 127,312</u>	<u>\$ 163,959</u>

IOWA HEARTLAND HABITAT FOR HUMANITY
WATERLOO, IOWA

Notes to Financial Statements

Note 4: Work In Process

Following is a summary of home building activity for the years ended June 30:

	2022		2021	
	Homes	Costs	Homes	Costs
Homes under construction, beginning of year	48	\$ 1,367,247	51	\$ 888,316
Additional costs incurred on beginning inventory		2,138,517		1,529,131
New homes started during year	16	780,527	5	317,410
New neighborhood services started during year	48	39,335	15	32,552
Neighborhood services completed	(53)	(483,507)	(12)	(527,399)
Homes transferred to homeowners	(12)	(2,352,627)	(11)	(872,763)
Total work in process	47	<u>\$ 1,489,492</u>	48	<u>\$ 1,367,247</u>

The balance of homes under construction consists of ending construction inventory - homes and ending work in process at June 30 as follows:

	2022		2021	
	Homes	Costs	Homes	Costs
Homes and critical repair under construction, end of year	30	\$ 1,413,245	20	\$ 695,411
Home sites, no construction by year end	17	76,247	28	671,836
		<u>\$ 1,489,492</u>		<u>\$ 1,367,247</u>

Note 5: Beneficial Interest Held by Community Foundation

As of June 30, 2022, Habitat has a beneficial interest in assets held by the Community Foundation of Waterloo/Cedar Falls and Northeast Iowa (the Foundation). The money was transferred by Habitat to the Foundation to establish an endowment fund. Variance power was granted to the Foundation allowing its Board of Directors to redirect the fund to the support of another charitable agency, in the event Habitat terminates or ceases to exist as a legal entity. Habitat is entitled to receive the earnings on its beneficial interest.

Fair value of asset measured on a recurring basis using significant unobservable inputs (Level 3 inputs):

	2022	2021
Balance at beginning of year	\$ 595,677	\$ 374,208
Contributions	14,241	114,220
Interest income	7,775	6,542
Investment fees	(6,827)	(4,896)
Realized/Unrealized gain/(loss)	(31,972)	110,603
Distribution received	(5,500)	(5,000)
Balance at end of year	<u>\$ 573,394</u>	<u>\$ 595,677</u>

IOWA HEARTLAND HABITAT FOR HUMANITY
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Notes to Financial Statements

Note 6: Long-Term Debt:

Following is a summary of long-term debt at June 30:

Notes payable:	2022	2021
Notes payable to Habitat for Humanity Iowa, repayable in monthly installments of \$250, 4% interest, secured by promissory notes for 1213 Lantz Ave, Cedar Falls with balances of \$12,555 due February 1, 2024	\$ 11,072	\$ 13,575
Notes payable to Habitat for Humanity Iowa, repayable in monthly installments of \$331, 2% interest, secured by promissory notes for 5419 Norse Dr, Cedar Falls with balances of \$21,649, due December 1, 2033	40,789	43,912
Note payable to Habitat for Humanity International, repayable in monthly payments of \$4,522.20, 5% interest, secured by promissory notes on 10 properties, due June 25, 2028	279,842	319,001
Note payable to Farmers State Bank, repayable in monthly payments of \$4,275.44, 4.29% interest, secured by promissory notes on the ReStore building, due July 10, 2044	719,430	746,145
Note payable to Farmers State Bank for the Paycheck Protection Program, repayable in 17 payments of \$10,161.69, 1.0% interest, due March 6, 2022.	-	182,249
	1,051,133	1,304,882
Less unamortized debt issuance cost	(2,511)	(2,969)
Less current maturities	(75,935)	(64,158)
Long-term notes and mortgages payable	\$ 972,687	\$ 1,237,755

IOWA HEARTLAND HABITAT FOR HUMANITY
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Notes to Financial Statements

Note 7: Long-Term Debt: (continued)

Estimated maturities of long-term notes payable for the next five years are as follows:

<u>Year Ended June 30,</u>		
2023	\$	75,935
2024		77,705
2025		81,052
2026		84,514
2027		85,148

Habitat obtained a \$500,000 line of credit at Farmers State Bank dated October 21, 2020 secured by a general business security agreement. At June 30, 2022 no amounts were borrowed against the line of credit.

Note 8: Restricted Net Assets

Net assets were released from restrictions by incurring expenses satisfying the purpose or time restrictions specified by third parties as follows:

	2022	2021
Purpose Restriction Accomplished:		
Home construction costs	\$ 490,151	\$ 7,250
	<u>\$ 490,151</u>	<u>\$ 7,250</u>

Net assets with donor restrictions consist of the following as of June 30, 2022 and 2021:

Beneficial interest in assets held at Community Foundation	\$ 125,100	\$ 119,100
Home construction costs	611,726	493,901
	<u>\$ 736,826</u>	<u>\$ 613,001</u>

Note 9: Pension Plan

Habitat contributes 4% during the year ending June 30, 2022 and 2021, respectively, toward a 401k plan for all eligible employees. Total pension expense for the period ended June 30, 2022 and 2021 was \$52,685 and \$35,609, respectively.

Note 10: ReStore Program

Habitat established its ReStore in fall of 2015. The ReStore is a retail store set up to receive donated goods and sell to the general public at discounted prices. Donated goods include such items as building materials and household items that would not generally be sold at other retail outlets. The sales from the store are used to help support Habitat's programs. Retail store revenues are recognized when the related goods are sold. The donated materials and goods are valued at the time the goods are sold at the sale value. The costs of sales are recorded at sale value.

IOWA HEARTLAND HABITAT FOR HUMANITY
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Notes to Financial Statements

Note 11: Revenue Recognition Standards Adoption

Iowa Heartland Habitat for Humanity adopted ASU 2014-09 Revenue from Contracts with Customers and ASU 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made as required during the previous fiscal year. No changes to the financial statements occurred as a result of these adoptions.

Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Total financial assets		
Cash and cash equivalents	\$ 1,373,426	\$ 1,534,930
Accounts and pledges receivable	260,366	180,910
	<u>1,633,792</u>	<u>1,715,840</u>
Less donor restrictions	<u>736,826</u>	<u>613,001</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 896,966</u>	<u>\$ 1,102,839</u>

Note 13: Subsequent Events

Management has evaluated subsequent events through November 29, 2022, the date on which the financial statements were available to be issued.